

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-98-5
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**ORDER APPROVING SETTLEMENT**

(Issued April 23, 1999)

On October 27, 1999, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) a request for a general rate increase in temporary and final rates. MidAmerican proposed a temporary increase which would produce additional revenue of approximately \$16,270,053 and a permanent increase which would produce additional revenue of approximately \$18,494,128. On November 25, 1998, the Board docketed the proposed tariffs, TF-98-266 and TF-98-267, for further investigation and set a procedural schedule. The proceeding was identified as Docket No. RPU-98-5.

The Board issued an order on January 22, 1999, allowing a temporary increase, which would produce revenues not to exceed \$425,732,123, or a temporary increase of \$6,681,323. The Board granted intervenor status to IES Utilities Inc. (IES), Interstate Power Company (Interstate), Deere & Company (Deere), Peoples Natural Gas Company, Division of UtiliCorp United, Inc. (Peoples), Aluminum Company of America (Alcoa), and the Iowa Energy Consumers (IEC).

On March 22, 1999, MidAmerican, the Consumer Advocate Division of the Department of Justice (Consumer Advocate), Interstate, IES, Peoples, and Deere filed a unanimous proposed settlement agreement which would resolve all outstanding issues. The parties stated IEC and Alcoa authorized them to represent that they do not contest the settlement.

The Board has the authority to resolve contested cases by unanimous settlement. In evaluating a proposed settlement, the Board examines whether the settlement is reasonable in light of the whole record, consistent with law, and in the public interest. IOWA CODE § 17A.12(5) (1999); IOWA ADMIN. CODE 199-7.2(11) (1999).

The proposed settlement provides an agreed-upon revenue requirement of \$430,368,000, or an increase that would produce additional revenue of \$13,904,000. MidAmerican's original request asked for an increase that would produce additional revenue of \$18,494,128. The parties resolved some of the individual revenue requirement issues. For those issues they did not resolve, the parties identified the range between parties, as required by IOWA ADMIN. CODE 199-7.2(11)"a" (1999).

The proposed settlement provides a range of positions on return on common equity from 10.75 percent which produces an overall rate of return of 8.935 percent, to 11.25 percent which produces an overall rate of return of 9.161 percent. The parties agreed upon most of the rate base adjustments. However, they reported a range of positions for working capital which results in identical revenue requirements.

The parties proposed an adjustment to income statement that would result in an \$1,866,464 decrease in operating income.

The proposed settlement adopts the class cost-of-service study originally proposed in MidAmerican witness Loos' direct testimony. The proposed settlement states that prior to proposing a class cost-of-service methodology in the future, MidAmerican shall revise its allocation factor studies to reflect inclusion of properties and operations of the former Iowa-Illinois Gas and Electric Company. The agreed-upon rate design in the settlement appears to reflect many of the broad rate design goals in MidAmerican witness Schaefer's direct testimony.

The Board, after examining the complete record of this proceeding, finds the proposed unanimous proposed settlement is reasonable, consistent with law, and in the public interest. While the unanimous settlement provides for a greater increase than the amount the Board allowed for temporary purposes, there were several issues in temporary rates where the Board found MidAmerican's adjustments were not known and measurable or too speculative for purposes of determining temporary rates. The Board will approve the settlement.

**IT IS THEREFORE ORDERED:**

1. The tariffs proposed by MidAmerican Energy Company on October 27, 1998, identified as TF-98-266 and TF-98-267, and made subject to investigation as part of this proceeding, are declared to be unjust, unreasonable, and unlawful.

2. The unanimous settlement agreement filed by the Consumer Advocate Division of the Department of Justice, Interstate Power Company, IES Utilities Inc.,

Peoples Natural Gas Company, Division of UtiliCorp United Inc., and Deere & Company on March 22, 1999, is approved.

3. On or before the expiration of 45 days from the date of this order, MidAmerican Energy Company shall file revised tariffs setting schedules of gas rates in compliance with the terms of the settlement agreement. The compliance tariffs shall become effective upon approval by the Board.

**UTILITIES BOARD**

/s/ Allan T. Thoms

/s/ Emmitt J. George, Jr.

ATTEST:

/s/ Raymond K. Vawter, Jr.  
Executive Secretary

/s/ Paula S. Dierenfeld

Dated at Des Moines, Iowa, this 23<sup>rd</sup> day of April, 1999.